



Doing Business in Iraq:

2009 Country Commercial Guide for U.S. Companies

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Iraq is a market with strong long-term economic potential. Recent security gains have allowed the Government of Iraq (GOI) to shift its focus towards economic development. Continued efforts are necessary to produce a business climate that is more conducive for foreign firms. However, there is no doubt that the Iraqi market offers considerable opportunities for U.S. companies.

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Chapter 1: Doing Business in Iraq

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Market Overview

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Security remains a serious concern for both domestic and international businesses. Corruption and the shortcomings of both regulatory structures and legal protections will continue to be challenges. However, the sharp declines in sectarian violence and acts of terrorism throughout Iraq in 2008 were marked by an increased interest in business opportunities. This spike of interest is a signal for seasoned exporters and investors that now is the time to pursue the significant business opportunities in Iraq in almost every sector.

In 2008, the U.S. Department of Commerce brought its first U.S. Business Trade Mission to Iraq in over twenty-five years. The GOI finalized two significant, multi-billion dollar contracts with U.S. companies in 2008. Boeing signed a \$6 billion contract with Iraqi Airways, and General Electric signed a \$3 billion deal with the Iraqi Ministry of Electricity. Also the U.S. Commercial Service Iraq (CS Iraq) recruited eleven Iraqi business delegations for U.S. trade shows under the Commercial Service's International Buyer Programs (IBP) in 2008. This is an increase of more than 100% over 2007, reflecting the rapidly growing Iraqi interest in doing business with U.S. firms. The improved security situation contributed to the phenomenal growth in the number of Iraqi delegations travelling to our IBPs. CS Iraq adjusted its strategy to meet the pressing demand from Iraqi businessmen eager to do business with U.S. firms. To quote one Iraqi businessman, "you know what you're getting when you deal with American firms, and we want quality and good prices".

The GOI has taken advantage of the improving security situation to take some of the steps necessary to improve the business and investment climates. The GOI has encouraged the Iraqi private sector and foreign investors alike to get more engaged in the commercial development of Iraq. Gains are measureable in economic performance, standards of living, and continuing democratic reforms. The National and Provincial Investment Commissions were created to stimulate investment, and the private banking sector is becoming more active throughout the country. Iraq's diplomatic ties to the region are expanding, and many of Iraq's neighbors are seeking ways to strengthen commercial ties.

In 2008 Iraq's GDP was approximately \$94 billion (IMF projection). The population of Iraq is currently 28.5 million people and it is expanding at the rate of more than two percent per year. Occupying an area slightly larger than the State of California, Iraq has

115 billion barrels of proven oil reserves. Only Saudi Arabia and Iran possess larger proven reserves.

Currently, Iraq generates the majority of its wealth from the production and sale of crude oil, processes that are controlled mainly by the GOI. Oil exports are, and will continue to be, the engine that drives government spending and which finances nearly all infrastructure development in Iraq. Although the private sector is relatively small, there appear to be sufficient resources in private hands to fuel substantial demand for all types of consumer products. In addition, there are communities of expatriate Iraqis in neighboring countries, Europe, and the U.S. who are now looking for business and investment opportunities in Iraq.

After decades of mismanagement, sanctions, and war, Iraq's reconstruction and development needs are significant. Considering Iraq's existing and potential wealth, Iraq is likely to be among the fastest growing and most lucrative mid-sized markets in the world.

CS Iraq is optimistic about Iraq's potential and is prepared to work with you to access this exciting market.

Market Challenges

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While Iraq's potential is large, so too is the list of challenges confronting both domestic and foreign businesses. Security, though vastly improved, still must be factored in to business decisions. The security situation varies significantly throughout the country.

Corruption remains a challenge. The GOI is trying to remove opportunities for corruption by implementing procurement standards and instituting regulations for the ministries engaging in procurements. Iraq is a signatory to the United Nations Convention Against Corruption (UNCAC) and is just starting the process of evaluating changes that are required to come into compliance. The GOI has increased anti-corruption training to combat corruption by local and central government officials.

Another continuing problem in Iraq is the difficulty of starting a foreign business in this country. Iraq's business climate concerning the ease of doing business according to the World Bank's 2009 Doing Business Survey deteriorated over the last year. However, despite the continuing corrupting and, the difficulties that foreign companies experience to start and conduct business in Iraq, there continues to be an ever growing interest in the Iraqi market.

Deficiencies in Iraq's legislative and regulatory infrastructure, particularly with regard to provisions to protect the interests and capital of foreign companies, have dampened foreign interest in large-scale investments in Iraq. There is a National Investment Law on the books since 2006; however the implementing regulations for the law have not yet been promulgated. Despite years of debate, the GOI has not been able to pass the Hydrocarbons Framework Law which will clarify methods for development of Iraq's oil and gas resources and settle the politically charged debate between the federal

government in Baghdad and the Kurdistan Regional Government. Many foreign firms are waiting for the GOI to take the necessary steps to better protect foreign investors, including provisions for international arbitration in the contracts.

Government procurement practices continue to lack transparency and are plagued by delays in signing of contracts and long delays in securing letters of credit. It is not uncommon for awarded tenders to be cancelled and then rebid with no explanation.

The private banking industry is in its infancy and foreign company registration is decidedly user unfriendly. High interest rates on business loans and difficulty obtaining letters of credit, on top of the difficulty of registering a company, could deter the less experienced and patient U.S. company, in spite of Iraq's great market potential.

CS Iraq has received numerous inquiries from U.S. firms who have been contacted by bogus Iraqi businessmen allegedly looking for a U.S. partner to bid on large GOI tenders. These scams are usually easy to identify and CS Iraq encourages any firm that is contacted regarding a major tender to confirm the validity of the tender before moving forward.

These challenges are more symptomatic of a need for increased capacity among government departments than a determined effort to sabotage development. The GOI is making progress and learning more about how the private sector works. Patience, determination, and a good local partner are hallmarks of business success for foreign companies in Iraq.

Market Opportunities

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Tenders for GOI contracts, including those for State Owned Enterprises (SOE's), are offered by national government ministries and provincial governments. They are generally announced on Iraqi government websites, where available, or sometimes via advertisements in Iraqi newspapers (in Arabic). Please note that there is very little consistency in how tenders are offered, written, or announced. The U.S. Department of Commerce's Iraq Investment and Reconstruction Task Force (IIRTF) offers the "Iraq Alert" service for companies interested in receiving notice of GOI tenders, as well as tenders from the U.S. government and international organizations in Iraq. To learn more about this service visit: www.export.gov/iraq. CS Iraq also responds to inquiries about new tenders and the status or validity of tenders, upon request. However, without local representation, a U.S. company is unlikely to be in a position to compete successfully for a GOI tender offering.

Iraq's economy has suffered from four decades of a command economy's mismanagement and conflict. The legacy of government economic centralization placed large portions of Iraq's industrial capacity under control of various national ministries. The Ministry of Oil is a conspicuous example, since its sixteen directly managed operating companies carry out the full range of activity in the petroleum sector, from upstream development and production of oil and gas, through distribution, refining, and the marketing and sale of crude and refined product. As a stepping stone to privatization

or commercialization, some ministries are working with international investors to rehabilitate some SOEs through joint venture agreements. For example, the Ministry of Industry and Minerals is currently seeking investors for several industrial enterprises – including cement, glass and ceramics, paper production, petrochemicals, iron and steel, sanitary ware, and automobiles. The terms for investors require careful scrutiny to determine real potential. For more information regarding SOE opportunities visit: www.industry.gov.iq or www.buyusa.gov/iraq/en.

Most business opportunities at this time are in the energy sector, construction, agricultural equipment and technology, healthcare, and transportation. Private sector development, especially by entrepreneurs and expatriate Iraqis, appears to be flourishing, based on information gathered from U.S. and Iraqi businessmen, increases in business registrations and other anecdotal observations. We estimate that the private sector is growing in cities all across Iraq. Along with the improvements in security, there is an optimism fueling experienced and novice businessmen alike. They are searching for opportunities to revitalize old businesses and to start new ones. Typically, growth and new development depend on market demand, available resources, and the availability of financing. Financing is still an issue; demand is not.

Market Entry Strategy

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If you are interested in doing business in Iraq, it is important to do your research first. CS Iraq is on the ground in Baghdad and Erbil to support U.S. companies interested in the market and can assist you in your efforts. We provide business counseling that paints a balanced picture – the great market potential and the challenges. Our goal is your success. If you are ready to enter the market, CS Iraq strongly recommends that U.S. companies, from all sectors, partner with Iraqi firms. Whether you need an agent, distributor, or representative to get started in Iraq, having an Iraqi partner will provide you with an on-the-ground expert to guide you through local bureaucracy as you get started. Having a local partner helps visiting businesspeople overcome barriers of language and culture. Local partnerships are also an excellent way to gauge the market and gain product recognition, and they are a good stepping stone to a larger presence in the Iraqi market as your business develops.

U.S. firms looking to take advantage of the business opportunities in Iraq will need to develop thoughtful strategies in order to penetrate this uniquely challenging but rewarding market. Through its International Partner Search (IPS), CS Iraq can assist U.S. companies to find a qualified partner in this dynamic market. To learn more about CS Iraq's IPS and other services please visit: www.buyusa.gov/iraq/en.

Having a local partner in Iraq also increases business opportunities for U.S. firms, allowing them to pursue both public and private sector business opportunities. CS Iraq believes that a local partner is particularly important when pursuing business opportunities with GOI ministries. This becomes doubly important in the short-term since nearly all major business opportunities in Iraq today are found in public tenders being offered by the GOI or SOEs.

Responding to, and winning, a government tender in Iraq is typically a tedious and bureaucratic process that requires the constant attention of an on-the-ground local representative. Without local representation, U.S. companies are not likely to win or maintain a business relationship with a government ministry.

The U.S. Department of Commerce is deeply engaged with the GOI and the Iraqi private sector to help Iraq build a strong and diverse economy. In addition to CS Iraq's support, Commerce's Iraq Investment and Reconstruction Task Force (IIRTF), headquartered in Washington, D.C., serves as an information clearinghouse for commercial opportunities in Iraq. Both CS Iraq and IIRTF serve the U.S. business community by providing up-to-date information about doing business in Iraq on their respective websites. Visit www.buyusa.gov/iraq/en or www.export.gov/iraq for more information.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/6804.htm>

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Using an Agent or Distributor

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CS Iraq recommends finding a local Iraqi partner as the preferred strategy for entering the Iraqi market. This is a common entry strategy in emerging markets that is particularly suited to the situation in Iraq. The security situation, the language barrier, the need to develop long-term relationships, the requirement for physically picking up tender announcements, and the requirement to deliver the bid documents are all sound justification for finding a reputable Iraqi partner. Additionally, the tendering and bidding processes are still evolving and vary among ministries. Therefore, successful bids and actual fulfillment of contracts require constant attention and follow-up. This can usually only be done with a physical presence in Iraq. Work with legal counsel familiar with Iraqi laws to create a solid contract that includes non-competitive clauses, and confidentiality/non-disclosure provisions.

CS Iraq has an office in Baghdad and Erbil (albeit with limited resources) and can assist U.S. companies interested in the Iraqi market to find potential local partners. For more information on the International Partner Search service (IPS) please see: www.buyusa.gov/iraq/en.

There are other organizations in Iraq that claim to help local Iraqi firms match with foreign firms and provide other business services. These include the [Baghdad Business Center](#), the [Kirkuk Business Center](#), the [Ninevah \(Mosul\) Business Center](#), the Iraqi Business Council and the [Basra Business Center](#). The Baghdad-based National Investment Commission and the Provincial Investment Commissions are also interested in assisting foreign companies interested in operating in Iraq.

Establishing an Office

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Companies interested in establishing an office in Iraq or bidding on a GOI tender are required to register as a foreign business in order to do business in Iraq. This requirement also covers U.S. companies working on USG contracts. The process differs depending on where you intend to do business. If you are interested in doing business in the Kurdish Region of Iraq, you will need to register with the Kurdistan Regional Government (KRG). If you are interested in any or all of Iraq, including the KRG you must register with the GOI Ministry of Trade. Regardless of where you intend to do business, CS Iraq highly recommends that you hire a local lawyer to assist with the registration process. A list of local law firms is available upon request from the Consular Section of the U.S. Embassy, Baghdad at: http://iraq.usembassy.gov/iraq/citizen_services/lawyers.html.

In addition to registration with the Ministry of Trade, investors are encouraged to apply for an investment license from the appropriate national, regional, or provincial investment commission. For certain business activities, especially in the Iraqi Kurdistan region, an investment license may be required.

Companies that provide security are also required to register with the Ministry of Interior (MOI). For the most-up-to-date information regarding registering with the MOI, please see: www.iraqinterior.com/pscd/psce_inde.1.htm. For additional information, the Private Security Company Association of Iraq has an excellent website that may be of interest to companies in the security field: www.psc.ai.org.

USG Contractors are required to register with the Ministry of Trade and the Ministry of Interior.

Additional assistance on this process can be obtained from the Iraqi Ministry of Trade Representative Office in Washington, D.C., telephone: 202.380-3570.

Iraq – Registration Process:

- Instructions and the required application forms are available on www.export.gov/iraq. The form is a scanned copy. It is not available electronically, nor can it be submitted electronically. This information is also not yet available on the Ministry of Trade's website.
- The completed application, required documents and fees must be delivered to the Registration Department of the Ministry of Trade. Unfortunately there is no reliable postal delivery service in Iraq, nor is there a phone number to call to make arrangements for delivering the registration package. This is where a local partner or lawyer is essential.
- Registration fees are approximately \$1000 for foreign firms.
- Processing time usually takes between two weeks to two months.

KRG – Registration Process:

- Complete instructions and the required forms are available electronically at www.br.-iraq.com, They are also available at www.export.gov/iraq and www.trade.gov/iraq

Franchising

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A poor distribution network, inconsistent electrical power, and inadequate water supply are challenges facing potential franchisors. In spite of these concerns, there is growing interest in U.S. franchises.

During the U.S. Department of Commerce's Business Trade Mission to Erbil, Iraq in June of 2008, there was keen interest in the franchisors promoting their offerings. As a result, a couple of franchises were purchased and are scheduled to open in the Kurdish region in the near future. Interest in franchises varies by region in Iraq, but it is growing throughout the country.

Bidding on Government Tenders

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Currently, most major business opportunities are found through GOI public and private tender offerings. Companies interested in bidding on a tender must be registered with the Ministry of Trade.

There is no central website where tender notices can be found. Tender announcements are received from contacts and are sometimes publicized in the local press. Often, notices are placed online, though other forms such as involuntary solicitation of bids and paper distribution have been cited. Tender notices are almost always published in Arabic and are rarely available in English.

Further tender application requirements are identified in tender notices and vary by ministry and by contract. Generally, additional requirements may include, but are not limited to information covering: years of operation, production capacity, financial strength, and any past commercial activity in Iraq. In October, the Ministry of Oil launched a licensing round process to invite international oil company participation to develop six producing oil fields and two gas fields; the first licensing round was followed by a December announcement of the fields that would be included in a second round. The Ministry of Oil is working with a London-based consultant to implement the two licensing rounds. It will also handle future rounds as well as pre-qualifying participants.

Distribution Channels

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The current Iraqi market offers somewhat limited methods for companies to distribute products. Iraq's transportation infrastructure is in need of repair and expansion. The domestic trucking industry continues to advance farther into the provinces as demand for goods increases and security improves. The rail industry is also making headway. Several lines are providing regular service and plans are under repair to repair other lines. Domestic air transportation is limited. While there is keen interest in the provinces to develop local airports, the focus is more on passenger services than cargo. Projects to bring both Baghdad International Airport and the Port of Umm Qasr in Basra up to international standards are ongoing.

Trade Promotion and Advertising

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Trade promotion is a developing industry. As more products enter the market the demand has increased. The local press and television networks are perhaps the two most effective tools for advertising and trade promotion. Billboards are also used as well as magazines. Iraq has about sixteen major newspapers that may serve as an advertising medium for various products.

Protecting Your Intellectual Property

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Given the post-conflict environment, Iraq currently lacks basic intellectual property (IP) protections and enforcement. (See IPR Climate section below.) Nevertheless, companies should seek advice from local attorneys or IP consultants regarding registration of copyrights. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Iraq. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. In many countries, rights holders who delay enforcing their rights in a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Work with legal counsel familiar with Iraqi laws to create a solid contract that includes non-competitive clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Iraqi and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce, aka the American Business Council in Iraq (ABC-I).
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
 - o For an in-depth examination of IPR requirements in specific markets, toolkits are currently available in the following countries/territories: Brazil, Brunei, China, Egypt, European Union, India, Italy, Malaysia, Mexico, Paraguay, Peru, Russia, Taiwan, Thailand, and Vietnam.
 - o For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free **Online IPR Training Module on www.stopfakes.gov**.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. Please contact the following address for information and assistance in the Middle East: **www.buyusa.gov/egypt/en/ipr advisoryprogram.html**.

IPR Climate in Iraq

Iraq currently does not have adequate statutory protection for intellectual property rights (IPR). The GOI is in the process of developing a new IPR law to comply with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The draft law covers patent, trademark, and copyright, and it is hoped that strong implementing regulations will help consolidate IPR protection functions, which are currently spread across several ministries, into a "one-stop" IPR office. (Currently, the Central Organization on Standards and Quality Control (COSQC), an agency within the Ministry of Planning, handles the patent registry and industrial design registry; the Ministry of Culture handles copyrights; and the Ministry of Industry and Minerals houses the office that deals with trademarks.) Although the new draft will offer adequate statutory IPR protections, it has been stalled in the constitutional review process since mid-2007. The GOI's ability to enforce IPR protections remains weak.

Iraq is a signatory to several international intellectual property conventions, and to regional or bilateral arrangements, which include:

- Paris Convention for the Protection of Industrial Property (1967 Act) ratified by Law No. 212 of 1975.

- World Intellectual Property Organizations (WIPO) Convention; ratified by Law No. 212 of 1975. Iraq became a member of the WIPO in January 1976.

- Arab Agreement for the Protection of Copyrights; ratified by Law No. 41 of 1985.

- Arab Intellectual Property Rights Treaty (Law No. 41 of 1985).

Most IP office contact information can be found at <http://www.wipo.int/directory/en/urls.jsp>.]

Due Diligence

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It is essential to conduct thorough due diligence before considering entering into any type of business relationship in Iraq. CS Iraq can provide some limited assistance but strongly recommends that U.S. firms engage an Iraqi lawyer to conduct thorough due diligence for any potential partner and to make certain that any contract adequately protects the U.S. company's interests.

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Chapter 4: Leading Sectors for U.S. Export and Investment

The sectors noted below provide a small glimpse of the many business opportunities in Iraq. Aside from those noted and described sectors, CS Iraq strongly believes that tremendous business opportunities exist across all sub-sectors of the Iraqi market.

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Oil & Gas

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Oil

Iraq has the world's third largest proven petroleum reserves estimated at 115 billion barrels in addition to some of the lowest extraction costs. Industry statistics are varied, however, given that data has not been revised since 2001 and is based largely on 2-D seismic data from nearly three decades ago. Further seismic data is being gathered and some geologists estimate that the relatively unexplored territory in Iraq's western and southern deserts may contain an additional 45 to 100 billion barrels of recoverable oil.

Current production is approximately 2.4 million barrels per day (bpd) and the Iraqi Ministry is working hard to increase production. For the first time since the US-led invasion of 2003, Iraq opened its doors to foreign investors through a bidding process in the summer of 2008. The Iraqi Ministry is targeting production of 4.5 million bpd within five years.

Natural Gas

Iraq's proven natural gas reserves are estimated at 112 trillion cubic feet (tcf), while probable reserves have been estimated at closer to 275-300 tcf. As with oil, work is underway to accurately update those reserves, which industry pegs as the tenth largest in the world. The sector remains relatively flat as some 60 percent of associated natural gas production is flared due to a lack of sufficient infrastructure.

Petroleum Legislation

Passage and implementation of Iraq's Hydrocarbon Framework Law, first presented to the Iraqi Parliament in February 2007, is central to the development of the country's petroleum resources. As of February 2009, it still has not passed. The draft law, which lays out the conditions for international participation in the sector, has suffered persistent delays as some groups claim opening the sector would mean "denationalization" and foreign control. Despite the lack of a Hydrocarbon Law, the KRG continues to sign development and exploration contracts with several smaller firms. This continues to be a point of contention with the national government.

Other Challenges

After more than a decade of sanctions and years of military conflict, Iraq's oil and gas infrastructure needs modernization and investment. Inadequate pipeline infrastructure a shortage of refining capacity, and other limitations on export capacity, the continuing possibility of sabotage and the absence of hydrocarbons legislation, all contribute to the reluctance of the international community to expand investment in Iraq's oil patch. As these difficulties are resolved, however, business opportunities will become significant. The World Bank estimates that at least \$1 billion in additional revenues needs to be committed annually to the oil industry just to sustain current production.

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Construction

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The Iraqi housing sector is in need of extensive capital investment, following more than a decade of UN-imposed sanctions, which resulted in population displacement, internal and external migration, and inadequate maintenance and renovation. Presently, there is a shortage of 1 to 1.5 million housing units. The housing sector has an abundant need and opportunity to liberalize, and the private sector should become the main provider of housing and housing finance after the Government of Iraq has led reform and early investments. Historically, 80 - 90% of housing in Iraq was provided by the private sector; however, the effects of war and sanctions required the Government of Iraq to oversee housing. Stimulation of the housing sector will also improve social conditions, economic growth, and employment.

Access to housing finance and land are the most prominent obstacles for Iraqi citizens who want to build or purchase a home. A lack of resources is a result of changes from a centralized to a decentralized market-based system for housing delivery. As a result of the housing delivery shift, the housing deficit increased and sub-standard living conditions in urban and rural Iraq continued. The remedy for this requires a comprehensive approach including legislative reform, market development, and significant investment, to be undertaken first by the Government of Iraq and then by the private sector.

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Electricity

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The effects of war, insurgency, neglect, and 30 years of mismanagement have left Iraq with an electric power infrastructure that meets just over half of the total demand for electricity. The Ministry of Electricity, which operates the national power grid, has embarked upon a massive construction and rehabilitation program, which included the purchase in 2008 of nearly \$3 billion of gas turbine generators and associated services from General Electric, and over \$2 billion in additional capacity from other suppliers, that will be delivered and installed over the next five years. These generation assets will double the country's electrical capacity.

Now that these machines are in the delivery queue, the Ministry will need to engage a host of service providers to help design, construct and install the power stations that will host these generators. The Ministry will also need to upgrade the transmission network substantially. In time, the Ministry will need the services of the utility support industry to employ the latest, most efficient technologies. Iraq's vision is to regain the regional leadership it once enjoyed as a power exporter. The power sector in Iraq will be a growth industry for years to come.

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Building Materials

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Reconstruction, repair, and new construction have created a huge demand for cement and construction equipment. Estimates for the amount of new construction needed to rebuild Iraq after two wars and years of mismanagement and neglect range up to \$400 billion. The U.S. construction industry is playing a major role in reconstructing the country's power, water, facilities, bridges, roads, housing, schools, ports, airports and other infrastructure.

Demand for cement far outpaces the current capacity of the seventeen state owned cement factories in Iraq. In response to the urgent demand for cement, the GOI plans to build new and refurbish existing factories. The Ministry of Industry and Minerals has granted nineteen new licenses for private sector cement factories. This is possibly one of the largest private sector initiatives since 2003, valued at \$3 billion. Current annual cement production is a paltry twenty percent of demand or six million tons per year. Imports of construction equipment and materials are filling the gap. Demand is estimated at thirty million tons annually over the next ten years. Efforts are being made to repair and replace damaged Iraqi infrastructure, including:

- Water supply systems
- Sewage treatment plants
- Electricity production
- Hospitals and health clinics
- Schools
- Housing
- Transportation systems (road, airports and ports)

There are approximately 250 cities in Iraq. Currently, water treatments plants provide service to only six percent of the population. The balance depends on individual septic tanks and other means. There is virtually no sewerage in rural areas, where about thirty percent of the population lives.

Iraq has an extensive network of 24,000 miles of roads and highways, eight-five percent of which was paved and built in the 1970s and '80s, with little to no maintenance since. The major artery of the country is a six-lane expressway that connects the Jordanian border in the west to Baghdad, and then south to Basra. There are many cities that have no direct access to the expressway. Both primary and secondary roads are in need of repair. There are also over 1,100 bridges in Iraq, many in need of repair: many other locations could benefit from new bridges.

Iraq has approximately 109 airports and airfields throughout the country. International airports

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are in Baghdad and Basra, with major domestic airports in Mosul, Kirkuk and Erbil. Nearly all airports in Iraq are severely outdated. Airport runways and infrastructure are in dire need of repair.

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Agriculture

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Modernizing Iraq's agriculture sector will be crucial to developing a diversified economy that provides sustainable employment for the Iraqi people. Agriculture is the second-largest contributor to Iraq's GDP, accounting for an estimated six- to-eight percent of national output (well behind petroleum), but employing an estimated 25 percent of the labor force. Iraq was an important agricultural exporter in the 1940s and 1950s, but in the intervening years its population has quadrupled and land under cultivation and available water has decreased. As with nearly all sectors in Iraq, the agriculture sector suffers from some 30 years of neglect beginning with the Iran-Iraq war coupled with continued reliance on the central planning practices of the former regime. Iraq's main crops are wheat, barley, rice, and dates. Iraq imports roughly 65 percent of its basic food needs.

A drought, beginning with the 2007-2008 crop year, sharply reduced the Iraqi grain harvest in 2008-2009. Indications are that 2009-2010 will not provide for substantial recharging of soil moisture in the rain-fed grain production region, likely leading to a slower than expected production recovery for barley and wheat. Rice, the third leading crop, is all irrigated and has not been as severely affected by the long dry spell. Nevertheless, area was constrained by GOI-imposed limits on the provision of irrigation water in 2008, leading to a decline in production. Dates, one of Iraq's most important crops from both a cultural and economic standpoint, are the only significant agricultural export. Nonetheless, current date export quantities are relatively low, and are considered industrial quality. Revitalizing date production is a GOI priority and an issue of national pride.

Recent improved security has led farmers to increase vegetable production for urban markets, and Iraq could potentially further increase horticulture output. However, degraded irrigation infrastructure and fierce competition from relatively low-priced fruit and vegetable imports from neighboring countries are challenges the sector needs to overcome. In addition to the constraints listed above, shortage of inputs (improved seed and fertilizer) and high-saline soils are problems throughout all of Iraq's crop production sectors. The livestock industry is dominated by small-scale production of small ruminants, with few large intensively-run livestock feeding operations. The poultry industry appears to be making a recovery, but progress remains slow. High feed costs are a significant constraint for the poultry sector. Iraqi agriculture continues to function largely as a centrally planned sector, with MoA, and other ministries involved in agriculture (there are at least 5 others involved to some degree) being at best benign, and often times a serious impediment to sectoral private sector development. Government control is particularly pronounced in the grain sector, where it supplies subsidized inputs and buys all grain production.

The best prospects for U.S. agriculture exporters include wheat, rice, poultry meat, and vegetable oil. U.S. agriculture exports to Iraq during 2008 reached a record \$900 million, about 50 percent higher than the previous year. The record pace was the result

of strong wheat exports, which accounted for 90 percent of the sales. During this period, Iraq was the third-leading market for U.S. wheat, and one of the top markets for the U.S. Hard Red Winter (HRW) class. Poultry meat (\$70 million) and rice (\$27 million) were the other two major exports. The Grain Board of Iraq purchases all the wheat and rice through periodic public tenders. Private sector importers handle the poultry meat. Other than the poultry meat, limited direct private sector imports are occurring, with most transactions being done via Gulf and/or other neighboring country agents. However, local Iraqis are increasingly interested in importing directly, and U.S. exporters should consider this.

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Openness to Foreign Investment

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The GOI has stated its commitment to attracting foreign investment and made several efforts in 2008 to improve its investment climate. It continued to implement the National Investment Law (NIL) of 2006, which provides a good base line for a modern legal structure to protect foreign and domestic investors. It provides for tax and other incentives, and once implementing regulations are added, the NIL's provisions should provide an open investment regime for foreign investors. However, the NIL does not permit foreign investors to own land, though they may lease (for 50 years, renewable). It also does not cover investments in the oil, banking and insurance sectors. (A copy of the National Investment Law can be obtained from the U.S. Department of Commerce Iraq Task Force website - <http://www.export.gov/iraq/>) The GOI and regional authorities have sponsored several conferences intended to attract investors, including the November 2008 U.S.-Iraq Dialogue on Business and Investment Climate, which focused attracting U.S. investors.

In accordance with the NIL, the GOI formed the National Investment Commission (NIC) and established Provincial Investment Commissions (PICs) in every province in 2008. The NIC and the PICs are designed to be "one-stop shops" that can provide information, sign contracts, and facilitate registration for new foreign and domestic investors. In addition to being on a steep learning curve, Investment Commissioners struggled with unclear lines of authority, budget restrictions, and the absence of regulations and standard operating procedures. The GOI also failed to confirm the NIC Chairman-Designate and later dismissed him. This uncertain leadership situation -- along with other equally significant problems, including unclear land transfer policies, a lack of infrastructure coordination for investment projects, and provincial governments' inability to manage and facilitate investment projects governments' inability to manage and

facilitate investment projects -- contributed to the fact that many of the investments the NIC had announced did not actually break ground.

Regulation of investment is not an exclusive federal power, so the Kurdish Regional Government (KRG) and the national government both have the right to regulate investment. The KRG has its own investment law (Law 89 of 2004). The most significant difference between the KRG investment law and the national law is that the regional law allows foreigners to own land. Under the Iraqi Constitution, when there is a contradiction between regional and national legislation in the area of land ownership, the regional law becomes applicable; in Kurdistan, KRG investment law has been applied in practice to the benefit of foreign investors for land ownership and oil contracts.

Conversion and Transfer Policies

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The currency of Iraq is the Dinar (IQD - sometimes referred to as the New Iraqi Dinar). The Iraqi authorities confirm that in practice there are no restrictions on current and capital transactions involving currency exchange as long as underlying transactions are supported by valid documentation. The International Monetary Fund's annual publication on Exchange Arrangements and Restrictions states that: "Restrictions on capital transactions are not enforced; however, documentation and reporting requirements apply." The National Investment Law contains provisions that, once implemented, would allow investors to bank and transfer capital inside or outside of Iraq.

The Government of Iraq's monetary policy since 2003 has focused on maintaining price stability primarily by appreciating the IQD against the US dollar while seeking to maintain exchange rate predictability. Banks may engage in spot transactions in any currency, but are not allowed to engage in forward transactions in Iraqi Dinar for speculative purposes. There are no taxes or subsidies on purchases or sales of foreign exchange. Improved security has allowed for an increased supply of goods and services, which has reduced inflationary pressures as compared to 2006. The Central Bank's monetary and exchange rate policies have continued to help temper inflation, which is down from a high of 76.6 percent in 2006 to 12.3 percent in November 2008.

Expropriation and Compensation

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Article 23 (Second) of the Iraqi Constitution prohibits expropriation in Iraq, unless it is "for the purpose of public benefit in return for just compensation." The constitutional provision further stipulates that this provision shall be regulated by law, but legislation has yet to be considered. Article 12 (Third) of the National Investment Law also guarantees "non-seizure or nationalization of the investment project covered by the provisions of this law in whole or in part, except for a project on which a final judicial judgment was issued," but the absence of implementing regulation makes the application of the law uncertain in practice. As a result, whether foreign investors will

enjoy protection from expropriation that meets international standards will likely depend on domestic implementing legislation and/or future bilateral treaty obligations with investor states. The United States does not have a Bilateral Investment Treaty (BIT) with Iraq.

Dispute Settlement

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While the law of domestic arbitration is fairly well developed in Iraq, international arbitration is not sufficiently supported by Iraqi law. Iraq is a signatory to the League of Arab States Convention on Commercial Arbitration (1987) and the Riyadh Convention on Judicial Cooperation (1983), but it has not signed or adopted the two most important legal instruments for international commercial arbitration: The United Nations New York Convention on Recognition and Enforcement of Foreign Arbitral Awards (1958 -- commonly called the New York Convention) and the attendant rules and procedures established by the UN Commission on International Trade Law (UNCITRAL). However, Iraq recently joined the Multilateral Investment Guarantee Agency under the World Bank Group. An OPIC Investment Incentive Agreement was signed in 2005 but it has not yet been ratified by the Council of Representatives as of February 2009.

Article 27 of the NIL, details the rights of Iraqis and foreigners, with respect to Iraqi law, refers to dispute resolution. However, the absence of implementing regulation makes application of the law uncertain in practice.

Domestic arbitration is provided for in Articles 251-276 of the Iraqi Civil Procedure Code, which require arbitration agreements to be in writing. Panels of arbitrators are available through the Iraqi Union of Engineers, the Iraqi Federation of Industries, and private arbitrators.

Performance Requirements and Incentives

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The NIL allows in theory both domestic and foreign investors to qualify for incentives equally. It also allows for investors to take out capital brought into Iraq, and its proceeds, in accordance with the law. Foreign investors are able to trade in shares and securities listed on the Iraqi Stock Exchange. In principle, the securities listed on the Iraqi Stock Exchange. In principle, the law also allows investors who have obtained an investment license to enjoy exemptions from taxes and fees for a period of ten years. Hotels, tourist institutions, hospitals, health institutions, rehabilitation centers and scientific organizations also are granted additional exemptions from duties and taxes on their imports of furniture and other furnishings. The exemption theoretically increases to fifteen years if Iraqi investors own more than fifty percent of the project; however, the absence of implementing regulation makes uncertain the application of the law in practice.

Right to Private Ownership and Establishment

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The National Investment Law does not allow foreigners to own land. Foreign investors are permitted to rent or lease land for up to fifty years (renewable). Foreign investors are also able to own investment portfolios in shares and securities.

Protection of Property Rights

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The vast majority of land in Iraq (estimated to be at least 85%) is owned by the government. The largest land owners are the Ministry of Municipalities (with land holdings within municipal limits) and the Ministry of Finance (holding public agricultural land). Foreigners are not permitted to own land under the Investment Law of 2006. If an investor's proposal is approved, the investor may obtain a 50-year lease with an option to renew. However, to date a mechanism has not been determined to provide land to investors per the Investment Law. Policy details and procedures are yet to be approved. Investors should therefore be cautious and not hold out high expectations of receiving government land per the Investment Law. Exception: In Kurdistan the investment law that is operative does allow for direct foreign ownership of land.

Private property in Iraq has a market which changes in value with normative risk parameters. The legal framework for titles and mortgages can be complicated. Iraq has land registry systems for agricultural and residential/urban land, although they need modernization and have been compromised in recent years by fraud and looting. Furthermore, converting agricultural land to residential is difficult. Residential and city land are held under "fee-simple private ownership" with recorded deeds. Tenure for agricultural land (80%-90% of all land) is "tasarruf," the right to use land for a specified purpose. "Absolute ownership" remains with the state. If the owner changes its use, the "tasarruf" is forfeited. Land and property confiscations by governments throughout Iraq's history from Kings to Saddam Hussein have made ownership and land policy highly emotional, controversial issues.

Regarding title registration, Iraq operates a centralized registry of real estate titles: the Real Estate Registration Directorate (RERD) of the Ministry of Justice. Only a handwritten entry in the registry at a RERD office proves ownership. Therefore, there is no title insurance. The system appears to be utilized and, in general, trusted. However, it is onerous and offers the potential for fraud.

With the complications and particulars of various laws relating to real property in Iraq we recommend that any potential investor engage a reputable legal specialist to assist in any transactions that involve real property. Such legal support should be well versed in a wide range of real estate law; such attorneys may be limited in number in Iraq at the present time.

The absence of implementing regulation for the National Investment Law makes uncertain the application of the law in practice. Once fully implemented, the law would establish a legal framework for investment. Potential investors would nonetheless still face significant hurdles in understanding the basic steps for starting and operating a business in Iraq given the complexity of Iraq's existing laws, regulations, and administrative procedures. The Iraqi Government has established and staffed National and Provincial Investment Commissions (NIC / PICs) as required under the National Investment Law. The NIC announced in October that in its first 10 months of existence, it had attracted \$74 billion in FDI to Iraq (although only a fraction of that has progressed to the stage of an actual signed investment contract). PICs have also been active in assisting regional investors. However, NIC and PIC Commissioners and their staff lack training and expertise, and have not developed an effective "One Stop Shop" for investors to ease their entrance into the Iraqi market. The U.S. government and other donors are sponsoring significant capacity development for both the NIC and PICs; however, these initiatives will take time to pay dividends for Iraq's investment regime.

The absence of other laws in areas of interest to foreign investors also creates ambiguity. Iraq's WTO Legislative Action Plan for the Implementation of WTO Agreements -- the legislative "road map" for Iraq's eventual WTO accession -- requires competition and consumer protection laws that are critical for leveling the business playing field. Both are in the drafting stage with the competent Ministry and were expected to be sent to the Council of Representatives in 2008, but they have been delayed. Without a competition law, investors do not have statutory protection against unfair business practices such as price-fixing by competitors, bid rigging, and abuse of dominant position in the market. Likewise, the lack of a consumer protection law means that investors and consumers have no standard definition of unfair business practices. While the Iraqis standard definition of unfair business practices. While the Iraqis do not currently have a building code for new construction, the GOI is currently evaluating this area.

The way in which the Iraqi government promulgates regulations is opaque and lends itself to arbitrary use. Regulations imposing duties on citizens or private businesses are required to be published in the Gazette. However, internal Ministerial regulations are not. This loophole allows bureaucrats to create internal requirements, procedures or other "turnstiles" with little or no oversight and use them to place additional burdens or exact payoffs from investors or other businesspersons.

The Central Bank of Iraq (CBI) is responsible for conducting monetary policy in Iraq. The CBI was re-organized by CPA Order No. 56 as a legal public entity that has financial

and administrative independence. The Iraqi banking system includes seven state-owned banks, the two largest being Rafidain and Rasheed, which account for about 96 percent of banking sector assets. There are also 32 private banks and six Islamic banks licensed by the CBI (see CBI's website - <http://www.cbiraq.org/>). Eleven foreign banks have either been licensed or have strategic investments in Iraqi banks.

Although the volume of bank lending is growing, the majority of banking operations continue to be fee-based services. The provision of credit is therefore largely conducted among individuals in private transactions. Despite ongoing improvements to the banking sector, Iraq's economy remains primarily cash-based.

The Trade Bank of Iraq (TBI) was established as an independent government entity under CPA Order No. 20 in 2003. The TBI's main purpose is to provide financial and related services to facilitate import trade, particularly letters of credit. In early 2008, the Ministry of Finance expanded trade finance opportunities for private banks by allowing letters of credits in amounts up to \$2 million to be processed through the TBI and distributed to private banks. Currently, the Ministry of Finance is discussing internally the possibility of raising this threshold.

The National Investment Law allows for foreign investors to purchase and sell shares and securities listed in the Iraqi Stock Exchange (ISX). It also allows foreign investors to form investment portfolios. Trading transactions and buy and sell orders are presently written by hand on grease boards in trading sessions. The automation of the ISX, expected in 2009, will provide greater speed and transparency than the current system. There are also discussions about allowing shares to be dematerialized (electronic book keeping by custodians) thereby easing the logistical burden of transferring physical certificates. In addition, a new permanent securities law has largely completed the Constitutional review process and could move to the Council of Representatives for enactment in 2009, and rules and regulations for the Iraqi Securities Commission (ISC) have been completed. Until the new law passes, an extension of previous regulations will secure the status of the ISC.

Political Violence

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Security continues to be a serious concern of the Iraqi Government. Despite great improvements in 2008, Iraq remains dangerous, volatile and unpredictable; interested investors still cite security as their primary obstacle when seeking to enter the Iraqi market. Violence against both foreigners and Iraqis persists, and the threat of attacks against U.S. citizens and facilities remains high. In addition, roads and other public areas continue to be dangerous for Iraqi or foreign travelers. Law enforcement is limited, although new Iraqi police units continue to be trained and deployed. Attacks against military and civilian targets throughout Iraq continue, including in the International (or "Green") Zone.

Targets include trucking and military convoys, hotels, restaurants, police stations, security checkpoints, foreign diplomatic missions, international organizations and other locations with expatriate personnel. In addition, there have been planned and random killings, as well as extortions and kidnappings. U.S. citizens and other foreigners, as

well as Iraqi officials and citizens continue to be targeted by insurgent groups and opportunistic criminals for kidnapping and murder.

The U.S. Department of State issues up-to-date travel warnings for countries throughout the world, and U.S. companies and visitors are advised to assess carefully the situation in Iraq by consulting the Department's Travel Warning at http://travel.state.gov/travel/iraq_warning.html and its Consular Information Sheet at <http://travel.state.gov/travel/iraq.html>. These sites contain the essential security and safety information on travel to Iraq.

In addition to violence, investors must be prepared to deal with unreliable delivery of essential sewer, water and electrical services and the impact this has on business development and operating costs.

Corruption

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Corruption in all areas remains a significant problem. Under Saddam's regime, corruption was a fact of life for every Iraqi and touched upon every economic transaction. The former regime's control of the economy left a legacy of heavy state procurement and subsidies distorting market prices. Unfortunately, undoing this legacy will be a long process, and investors still may have to contend with requests for bribes or kickbacks from government officials at all levels.

The Commission on Public Integrity (CPI) (now known as the Commission on Integrity or Integrity Commission - COI) is an independent, autonomous Iraqi governmental agency, established by CPA Order No. 55, responsible for anti-corruption, law enforcement and crime prevention, as well as public education on these topics. COI investigates nationwide allegations of corruption within the government and refers cases to the Iraqi judiciary. It performs its duties in conjunction with the Board of Supreme Audit (BSA) and the Inspectors General (IG) from each ministry. There is a need to impose and enforce credible penalties for government corruption, specifically adherence to laws related to government contracts, procurement and allegations of bribery. The number of corruption cases brought to a successful conclusion remains quite small and at the lower levels, and the statutory and regulatory provisions intended to control corruption will require substantial revision to be effective.

Transparency International in its Corruption Perception Index (CPI) has ranked Iraq in a tie for 2nd to last place. Corruption remains a major challenge that calls for substantial reform of Iraqi laws and institutions designed to combat it.

Iraq signed and ratified the United Nations Convention against Corruption (UNCAC) in March 2008, and is just starting the process of evaluating changes that are required to come into compliance. This process is likely to be the next big test of political will as to whether Iraq is serious about confronting corruption. Iraq has also endorsed the Extractive Industry Transparency Initiative (EITI) and is seeking to become a full member.

Bilateral Investment Agreements

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Iraq is a signatory to some form of investor protection agreement or memorandum of understanding with thirty-two bilateral partners and nine multilateral groupings. However, none of these is as all-encompassing as a U.S. Bilateral Investment Treaty (BIT). These agreements include arrangements on Investments Promotion and Protection (IPPA) within the Arab League, as well as some type of bilateral agreements with other countries including Afghanistan, Bangladesh, India, Iran, Japan, Jordan, Kuwait, Germany, Mauritania, Republic of Korea, Sri Lanka, Syria, Tunisia, Turkey, the United Kingdom, Vietnam and Yemen. These agreements include general provisions on promoting and protecting investments, including clauses on profit repatriation, access to arbitration and dispute settlements, fair expropriation rules and compensation for losses. However, the Iraqi government's ability to enforce them remains uneven.

In addition, Iraq has bilateral free trade area (FTA) agreements with the following eleven countries: Algeria, Egypt, Jordan, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, Yemen, and the United Arab Emirates. Iraq is also a signatory to several multilateral agreements, including the "Taysir" agreement with Arab countries dated February 27, 1982, and ratified in January 11, 1982.

On July 11, 2005, Iraq and the U.S. signed a Trade and Investment Framework Agreement (TIFA) as a first step toward increasing trade and investment cooperation between the U.S. and Iraq. The Iraqi Parliament has yet to ratify this agreement.

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) and the Government of Iraq executed an Investment Incentive Agreement (IIA) in 2005. However, the Iraqi Parliament has yet to ratify this agreement. Without the IIA, OPIC has been able to offer programs in Iraq on a temporary or ad-hoc basis and only because of a unique Congressional waiver of OPIC's statutory IIA requirement. These include the ability to finance a variety of investment projects with substantial U.S. participation. Some of OPIC's basic programs include U.S. participation. Some of OPIC's basic programs include structured finance projects; political risk insurance; investment funds and financing for small and medium-sized enterprises; and a planned mortgage pilot program.

Labor

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Iraqi labor law remains weak in promoting a flexible, business-friendly employment environment. The existing Saddam-era law includes non-supportive benefit clauses, working conditions for foreign expatriate workers, and rules governing working hours.

Iraq is a party to both International Labor Organization (ILO) Conventions related to youth employment, including child labor abuse. The Ministry of Labor and Social Affairs (MOLSA) also sets a minimum monthly wage for unskilled workers. In addition, according to Iraqi law, all employers must provide some level of transport, accommodation, and food allowances for each employee. The law does not fix allowance amounts.

The National Investment Law states that priority in employment and recruitment shall be given to Iraqis. In addition, foreign investors are expected to help train Iraqi employees as well as to raise their efficiency, skill, and capabilities. There are existing labor-related requirements for foreign companies employing Iraqi or foreign workers.

Foreign-Trade Zones/Free Ports

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The Free Zone Authority Law No. 3/1998 (FZL) permitted investment in Free Zones (FZ) through industrial, commercial, and service projects. This law operates under the Instructions for Free Zone Management and the Regulation of Investors' Business No. 4/1999 and is implemented by the Free Zones Commission in the Ministry of Finance.

In theory, capital, profits, and investment income from projects in an FZ are exempt from all taxes and fees throughout the life of the project, including in the foundation and construction phases. Goods entering into Iraqi commerce from FZs are subject to Iraq's 5 percent tariff; no duty is leveled on exports from FZs.

Activities permitted in Free Zones include: (a) industrial activities such as, assembly, installation, sorting, and refilling processes; (b) storage, re-export and trading operations; (c) service and storage projects and transport of all kinds; (d) banking, insurance and reinsurance activities; and (e) supplementary and auxiliary professional and service activities. Prohibited activities include actions disallowed by other laws in force, such as weapons manufacture, environmentally-polluting industries and those banned because of place of origin.

There are currently four geographic areas designated as Free Zones. The Basrah/Khor al-Zubair Free Zone is located 40 miles southwest of Basrah on the Arab Gulf at the Khor al-Zubair seaport. This area has been operational since June 2004. The Ninewa/Falafel Free Zone is located in the north, near roads and railways that reach Turkey, Syria, Jordan and the Basrah ports. The Al-Qa'im Free Zone is on the Iraqi-Syrian border and is being rehabilitated to its pre-2003 state, and an undeveloped zone in Fallujah is in the planning stages. In the Kurdish area a separate zone is being developed in Sulaymaniyah, to be lead by private master developers. Two other zones are in the discussion stage in the region: Erbil and Zarko. However, none of these areas is operating as a significant focal point for investment or trade, and only the Ninewa/Falafel zone has businesses operating in it. The Free Zone Commission lacks operational vision and capacity.

The National Investment Commission and 15 Provincial Investment Commissions outside of the KRG signed or successfully concluded negotiations on investment licenses totaling 2 billion USD from January to November 2008, which also included capital from some Iraqi firms. Two foreign investor consortia also signed joint venture investments in two state-owned factories with the Ministry of Industry, totaling 300 million USD. According to the KRG Investment Board, foreign investment in the region totaled 15 billion USD between 2007 and the first half of 2008.

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Chapter 6: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

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